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SIPDIS

SENSITIVE

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TAGS: [ENRG](#) [EPET](#) [ETRD](#) [IZ](#) [TU](#)

SUBJECT: TURKISH MFA ON EU, IRAQ, BTC, AND BYPASSES

REF: A. ANKARA 1003

[B](#). ANKARA 1991

[C](#). ANKARA 2380

[1](#)1. (SBU) Summary: A Turkish MFA official expressed concerns about continued lack of oil flow in the Iraq-Turkey pipeline, but optimism about potential for providing additional Turkish electricity to Iraq. He explained that the GOT was unable to initial the draft of the EU's Energy Community Treaty that was presented to it on a take-it-or-leave-it basis by the European Commission, but that it had agreed to an offer by Commissioner Piebalgs to continue talking. The GOT is eagerly looking forward to participating in the May 25 BTC "First Oil" ceremony in Baku and is still targeting first oil at the Ceyhan terminus in October-November 2005. He also commented on nuclear energy, regional links, and Bosphorus bypass projects. End Summary.

[1](#)2. (SBU) In a May 16 meeting with EconCounselor and Energy Officer, Turkish MFA DDG for Energy Mithat Rende covered a range of regional and domestic energy issues. Rende asked for USG views on diversifying electricity links to Iraq to include from Syria and Iran. He asked for USG support in ensuring that Iraq (Baghdad and KRG) were providing adequate protection to the Iraq-Turkey oil pipeline to restart oil flow to Ceyhan. Please note requests for guidance in paras 3, 4, and 8.

Iraq - Where's the Oil?

[1](#)3. (SBU) Rende lamented the continued lack of oil flow in the Kirkuk-Ceyhan pipeline, citing (at least) 16 serious sabotage incidents in 2004. He said that he and MFA colleagues were coming to a conclusion that inability to stem the sabotage stemmed not from a lack of capacity on the part of the Iraqi authorities, but rather on a "lack of political will" on the part of Kurdish regional authorities. We told Rende this sounded like a conspiracy theory, but said we would report those views. Post would appreciate any information to rebut this assertion. We note that much of the pipeline and presumably most, if not all, of the sabotage incidents are outside of the KRG controlled areas.

Iraq - Electricity Linkages

[1](#)4. (SBU) Anticipating Prime Minister Jaafari's May 19 visit to Turkey, Rende said the GOT was looking at ways to provide additional Turkish electricity to Iraq. He said there has not, however, been a decision on how to do this. One option would be to expand the existing Kartet-Karadeniz agreement to provide 150 MW to northern Iraq, but Rende noted that there were domestic Turkish regulatory issues that needed to be addressed by the Turkish energy regulatory authority (EMRA - see ref A). Rende asked if the United States would have any objection to sending Turkish electricity to Iraq via Syria. He also noted that Iran would be another potential source of electricity linkages to Iraq.

South East Europe Energy Community Treaty - We are Serious

[1](#)5. (SBU) Rende defended the GOT's recent decision not to initial the EU's Energy Community Treaty (newest version of South East Europe process). He noted that the treaty was ambitious in targeting common markets in natural gas and electricity. Rende said that Turkey was not prepared to accept the requirement of immediate implementation of environment and energy "acquis communitaires" as foreseen by the Treaty. Rather, Turkey needed the longer time and gradual implementation contemplated in the EU accession process to implement the costly measures. Furthermore, he objected to the negotiating approach of the European Commission, which had negotiated the draft with the existing member states and then it to Turkey on a take it or leave it basis. He said that Commissioner Piebalgs had recently acknowledged that this was not an appropriate approach (Piebalgs claimed the EC negotiators had exceeded their instructions) and had offered to resume talks, which the Turks had accepted. Rende noted that the Treaty made little sense without Turkey. He said Turkey would not be able to

support an Italian proposal to extend the purview of the treaty to the oil market.

#### Nuclear Dreams

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16. (SBU) Rende reaffirmed the GOT's commitment to pursue building three nuclear power plants in order to diversify Turkey's energy mix, noting that Energy Minister Hilmi Guler's roll out of Turkey's intentions earlier this year had been well received. He said that Turkey was discussing this project with German and French firms, but noted that U.S. firm Westinghouse had not approached the GOT to initiate discussions. Rende noted that financing would be a major obstacle, but said that the European firms had suggested that financing could be available. (Rende had not seen the details and was skeptical.)

#### BTC First Oil in Baku - Concerns About Georgia

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17. (SBU) Rende said that he was planning to accompany President Sezer and Energy Minister Guler to the BTC "First Oil" ceremony in Baku May 25, but that he had a potentially conflicting obligation in Brussels following his recent appointment as chair of an Energy Charter working group. He was aware that the Embassy had submitted a diplomatic note requesting a meeting for Energy Secretary Bodman with the President and Minister. In response to a question from Energy Officer, Rende lamented that Georgia had still not been responsive on approving the intergovernmental security protocol and designating a representative to the BTC IG Committee on Security. He said the GOT would be willing to provide, but not fund, training or other security assistance to its partner countries. He noted that Georgia was still making unreasonable demands with respect to security and environment in the Borjomi region and suspected it might have "other motives" for not moving on the security protocol. Rende said that the GOT still expected first oil tanker loading at the Ceyhan terminus October-November 2005 (Ref C), but hinted at the possibility of additional slippage.

#### East West Energy Corridor - More Links

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18. (SBU) The MFA official noted the importance of the June 28 CERA Three Seas Conference in Istanbul and hoped for high level U.S. participation. (Post would appreciate information on Ambassador Mann's plans.) Rende cited the important link for the Turkey-Greece gas interconnector, which will be celebrated by a ceremony with the Prime Minister in June. He also cited the emphasis of rail (Kars-Tbilisi-Baku) and road links. Rende encouraged the USG to reinforce demarches to promote reconsideration of the Trans-Caspian Pipeline for natural gas from Turkmenistan. He also noted that BOTAS was a little behind on initiating the Georgia-Erzurum spur to off-load the natural gas from the South Caucasus - Shah Deniz pipeline, but he noted that the GOT would satisfy its end-of-2006 2 bcm take-or-pay obligation (increasing to 6.5 bcm in 2009).

#### Bosphorus Bypass - Same Old

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19. (SBU) Sounding like the old refrain, Rende said he was encouraged by interest in the (GOT preferred) Bosphorus oil bypass route of Samsun-Ceyhan, and said he expected a decision soon from the Council of Ministers expressing "support" (Ref B). He noted that companies expected a more tangible expression of support from the GOT on behalf of Samsun-Ceyhan to allow them to do a comparative analysis with Burgos-Alexandropolos (factoring in Greek and Bulgarian promises of financial and other support). Rende said an additional argument for Samsun-Ceyhan was that a Ceyhan terminus would be a veritable "oil supermarket," from which ULCC's could pick up and transport compartmentalized cargos of Kirkuk, Caspian, and Russian crudes without having to call at different ports. He also lamented that there were competing sponsors for Samsun-Ceyhan (Calik Enerji, BOTAS, Zorlu, and Ekinceler), as well as for the Trans-Thrace project (Thrace Development Company- with U.S. Howard Lowe, Turkish Cukurova, and Kazakh interests; Anadolu group was still pursuing its "copy-cat" project, but now apparently without Transneft). In separate meetings, a ChevronTexaco official confirmed to energy officer that it was redoing its numbers and it was looking closely at Burgos-Alexandropolos and what the Russian Companies were doing. He repeated concerns about too much market reliance on Turkey (Ceyhan or Turkish Straits) for oil passage and the need for a comprehensive commercial approach to Bosphorus bypass(es).

10. (U) Baghdad Minimize Considered.  
EDELMAN